

## Message Text

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ACTION NEA-10

INFO OCT-01 EUR-12 ISO-00 AGRE-00 SP-02 USIA-06 AID-05  
EB-08 NSC-05 TRSE-00 SS-15 STR-04 OMB-01 CEA-01  
CIAE-00 DODE-00 PM-05 H-01 INR-07 L-03 NSAE-00  
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-----041119 151748Z /44

R 151410Z AUG 77  
FM AMEMBASSY CAIRO  
TO SECSTATE WASHDC 8309  
INFO AMEMBASSY MOSCOW  
AMEMBASSY PRAGUE  
AMCONSUL ALEXANDRIA

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DEPT PASS AGRICULTURE

E.O. 11652: N/A  
TAGS: ETRD EG UR  
SUBJ: EGYPTIAN THREAT TO WITHHOLD COTTON FROM SOVIET UNION

REF: CAIRO

1. AS BEING REPORTED SEPTEL, PRESIDENT SADAT TOLD GROUP OF  
VISITING EGYPTIAN STUDENTS FROM US, USSR, AND CANADA AUGUST 14  
THAT HE HAS ORDERED PRIME MINISTER TO WITHHOLD EXPORT OF COTTON  
(PRESUMABLY RAW COTTON AS WELL AS COTTON YARN AND  
TEXTILES) TO USSR, PENDING FULFILLMENT OF SOVIET OBLIGATION TO  
SUPPLY EGYPT WITH MILITARY EQUIPMENT.  
PRESS SUBSEQUENTLY REPORTED THAT IT LEARNED PRESIDENT'S DIRECTIVE  
ALSO APPLIES TO CZECHOSLOVAKIA, DUE TO UNFILLED TANK DEAL.

2. IMPORT OF THIS DECISION ON COTTON MARKETING PICTURE , WITH  
SEASON ABOUT TO BEGIN, COULD BE SIGNIFICANT.  
MORE IMPORTANT, HOWEVER, IS POSSIBILITY OF SOVIET REACTION  
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LEADING TO NON-FULFILLMENT OF ITS OBLIGATIONS UNDER 1977  
TRADE PROTOCOL TO TAKE EGYPTIAN EXPORTS OR PROVIDE NEEDED  
IMPORTS. ALTHOUGH THERE IS NO REPEAR NO AGREED - UPON  
REQUIREMENT TO DO SO, EGYPT HAS IN PAST FEW YEARS EXPORTED  
ABOUT ONE-THIRD OF ITS COTTON TO THE USSR AND EASTERN  
EUROPE. CZECHOSLOVAKIA IS MOST IMPORTANT  
EASTERN CONSUMER OF EGYPTIAN RAW COTTON AND COTTON PRODUCTS

AFTER USSR. BOTH USSR AND CZECHOSLOVAKIA, ARE  
COUNTRIES WITH WHICH EGYPT STILL HAS CLEARING AGREEMENTS, IN  
CONTRAST WITH HARD CURRENCY ARRANGEMENTS WITH MOST OTHER  
EASTERN EUROPEAN COUNTRIES. (CZECH EMBASSY TELLS US IT  
ANTICIPATES GOING TO CONVERTIBLE CURRENCY AGREEMENT, POSSIBLY  
THIS YEAR.)

2. AS PREVIOUSLY REPORTED BY EMBASSY, GENERAL TREND OF  
EGYPTIAN EXPORTS TO EASTERN EUROPE AND USSR PAST TWO YEARS  
HAS BEEN DOWNWARD. TRENDS ARE REFLECTED IN SALE OF COTTON.  
FOLLOWING ARE FIGURES FOR EGYPTIAN EXPORTS OF RAW COTTON  
TO USSR AND CZECHOSLOVAKIA. ALSO INCLUDED ARE TOTAL RAW COTTON  
EXPORTS AND TOTAL PRODUCTION FOR YEARS IN QUESTIONS:

SOURCE: CAPMAS)

RAW COTTON EXPORTS TO USSR/CZECHOSLOVAKIA

1970-1976

IN METRIC KANTARS (1 KM EQUALS .23 US BALES)

	USSR	CZECHOSLOVAKIA	TOTAL EXPORTS	TOTAL PRODUCTION
1977 (EST)	300,000	300,000	3,000,000	N/A
1976	616,590	337,631	3,330,523	7.9 M
1975	1,284,194	475,143	3,703,056	8.8 M
1974	1,161,548	343,290	4,644,799	9.8 M
1973	1,260,519	362,905	5,695,604	10.2 M
1972	1,547,118	464,957	5,897,543	10.1 M
1971	2,205,627	433,031	6,667,818	10.1 M

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1970	1,999,270	325,911	5,705,000	10.1M
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3. NOTE: ABOVE FIGURES ARE FOR RAW COTTON. AT SAME TIME THAT  
EXPORTS OF RAW COTTON HAVE BEEN DECLINED TO MEET RISING NEED  
FOR CLOTH FOR DOMESTIC MARKET EGYPTIANS HAVE ALREADY BEEN  
INCURRING THE EXPORTS OF COTTON YARN AND TEXTILES TO HARD  
CURRENCY MARKET AND TO SOVIET UNION. THIS FORM OF EXPORTS IS,  
HOWEVER, STILL A SMALL PERCENTAGE OF TOTAL AND OVERALL TREND IS  
AS SHOWN IN FIGURES FOR RAW COTTON. END NOTE.

4. 1977 TRADE PROTOCOL WITH THE SOVIET UNION SPECIFICS QUOTA OF  
COTTON FOR SOVIET UNION WOULD ALMOST HALVED,  
IN ORDER TO RESPOND TO EGYPTIAN DESIRE TO ELL MOR COTTON IN  
HARD CURRENCY MARKETS. EGYPTI AND CZECHOSLOVAKIA HAVE YET TO  
COMPLETE THEIR 1977 TRADE PROTOCOL. FIGURES FOR PREVIOUS-ANTI-  
CIPATED EXPORTS TO USSR AND CZECHOSLOVAKIA WOULD BE ALMOST 18-20  
PERCENT OF TOTAL EXPORTS FOR 1977, ASSUMING CONTINUED DOWNWARD  
TREND IN EXPORTS OF COTTON AS WHOLE WHICH HAS TAKEN PLACE OWN  
PAST FEW YEARS. EFFECT EXTERNALLY WOULD BE TO PLACE EXTRA  
600,000 METRIC KANTARS (ABOUT 120,000 BALES) ON INTERNATIONAL  
MARKET.

5. POSSIBILITY EGYPT MIGH NOT COME THROUGH ON TRADE AGREEMENTS  
WITH SOVIET RAISES PROSPECT THAT SOVIETS COULD RETAILIATE BY  
GONG SLOW ON NEEDED EXPORTS TO EGYPT, COKING COALBEING ON  
AND REFUSING TO ACCEPT EGYPTIAN IMPORTS. MAJOR EXAMPLE THAT  
COMES TO MIND. IN VIEW OF STEDILY  
DECLINING EXPORTS TO USSR IT IS OUR IMPRESSION THAT WITH-  
HOLD ING OF SOME 3000,000 M KANATAR WILL NOT HAVE SIGNIFICANT  
EFFECT ON EXPECTED REQUIREMENTS IN USSR OR CZECHOSLOVAKIA AND  
THAT PRESIDENT THREAT EHERFORE IS MORE SYMPOLIC THA REAL IN  
TERMS OF ITS EFFECT. WHETHER OR NOT EGYPTIAN COULD FIND HARD  
CURRENCY MARKET FOR THEIR COTTON IS UNDEAR FROM OUR VANTAGE  
POINT, BUT WITH HEAVY NOT YET IN, IT IS A MATTER WHICH  
PRESUMABLY EGYPTIANS BELIEVE CAN BE WORKED OUT.

EILTS

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NOTE BY OC/T: REFTEL OMITTED. SERVICE ON REQUEST.

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## Message Attributes

**Automatic Decaptioning:** X  
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**Channel Indicators:** n/a  
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**Disposition Date:** 22 May 2009  
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**Litigation History:**  
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**Review Markings:**  
Margaret P. Grafeld  
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